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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 000352

SIPDIS

DEPARTMENT FOR SCA/INS, DRL, DS/IP/SCA

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TAGS: PGOV PREL PTER KWMN IN

SUBJECT: STORMY, AS USUAL: BUDGET SESSION IN PARLIAMENT

REF: A. 2010 NEWDELHI 321

1B. 2010 NEW DELHI 262

1C. 2010 NEW DELHI 189

1D. 2009 NEW DELHI 2545

1E. 2009 NEW DELHI 1295

1F. 2009 NEW DELHI 1319

1G. 2009 NEW DELHI 1163

Classified By: Political Counselor Uzra Zeya for Reasons 1.4 (B, D)

11. (U) SUMMARY: The budget session of the Indian Parliament began on Monday with a speech by President Patil before Parliament laying out a broad GoI agenda for this year. The GoI would like this session to focus budget priorities such as food security, education, inclusive growth and women's rights. The Bharatiya Janata Party (BJP)-led opposition, however, wants to steer the spotlight on the GoI's decision to resume talks with Pakistan and its inability to curb the rocketing price of food staples. The opposition has already forced two adjournments over the inflation issue. The GoI will present the fiscal year 2011 budget to Parliament this week. The Lok Sabha's official agenda focuses on 92 new and old bills, including the Civil Liability for Nuclear Damage Bill (civil nuclear liability legislation). Inclusion of a bill on the official agenda does not guarantee that it will be introduced or passed during this session of Parliament. END SUMMARY

Let's Begin! Let's Adjourn!

12. (U) The Indian Parliament kicked off its budget session on February 22. This session adjourns for recess on March 16th and will resume again on April 12, until it closes on May 7. The session began with President Patil addressing a joint session of Parliament on the government's agenda, followed by an adjournment due to spirited protests from the opposition. Railway Minister Mamata Banerjee will present the Railway budget on February 24. Finance Minister Pranab Mukherjee will present the GOI fiscal year 2011 budget to Parliament on February 26. Following their presentations, the session will focus on debating the President's speech and policy agenda with votes on additional bills, if time permits. The government must pass one part of the finance

bill by March 31st in order to ensure ongoing government funds for the new fiscal year. Once the recess begins on March 16th, the remaining budget and spending bills will go to Parliamentary standing committees for consultation. Debates on the budget will resume on April 12. The Indian constitution mandates that the entire budget must be passed before the conclusion of this session. As of the second day of legislative business, the Lok Sabha (Lower house of Parliament) and Rajya Sabha (Upper house of Parliament) have already seen two adjournments on the issue of rampant inflation in food staples (Ref B).

Not Just Budgets

¶3. (U) President Patil's speech laid out the UPA government's recent achievements and legislative targets, which focused on food security, internal security, economic growth, infrastructure development, governance, and higher education, with a strong push for passage of the Women's Reservation Bill (Ref F) during this session. The Lok Sabha's official agenda focuses on 65 new bills, including the Civil Liability for Nuclear Damage Bill (civ-nuclear liability legislation).

Civil Nuclear Liabilities Legislation

¶4. (C) The previous session of the Lok Sabha adjourned on December 18 without taking up civil nuclear liability

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legislation, despite assurances from senior officials that the government would do so. The Embassy saw no signs of the UPA government making the case for the liability legislation within their own party or with the opposition. Senior officials, including National Security Advisor Menon, have underscored that passing the legislation in the current budget session of Parliament is a top priority, and the law is included as second on the list of 65 new bills under consideration.

¶5. (SBU) Unlike the previous session, Embassy contacts and media report that the UPA government has reached out this session to the leading opposition Bharatiya Janata Party (BJP) to seek support for civil nuclear liability legislation. While the UPA government has enough votes in the lower house, it only holds 91 seats in the upper house. Since UPA needs 123 votes for a simple majority in the upper house, it must build consensus and reach across the aisle for support on this measure. Post will continue to monitor the legislation's prospects and progress.

Adjournments over Food Inflation

¶6. (U) The rise in price of food staples continues to cause trouble for the UPA administration. Referring back to the UPA administration's pro-poor campaign promises, the BJP and other opposition parties held the central government responsible for increasing the misery of the "aam aadmi" (common man) by allowing high food prices to rise (Ref C).

Alliance Politics

¶7. (U) Prior to the budget session of Parliament, the UPA coalition's dominant Congress party tried to pin the blame for price increases on its UPA-ally Nationalist Congress Party (NCP) chief and Agriculture Minister Sharad Pawar. There have also been heavily publicized reports of an emotional spat between coalition partner Trinamool Congress leader and Railway Minister Mamata Banerjee, and Finance Minister Mukherjee over financing of new projects in West Bengal. West Bengal goes to assembly polls in spring 2011, pitting former Congress ally, the Left Front, against its

current ally, the Trinamool Congress.

Indo-Pak Talks, Internal Security To Feature In This Session

¶8. (U) Given the February 13 bomb blasts in Pune, the opposition has challenged PM Singh's decision to pursue talks with Pakistan at the Foreign Secretary level. The newly remodeled BJP is also likely to needle the government on its efforts to curb Naxal violence, although this may turn out to be a winning issue for the UPA with the GOI showing new resolve in confronting the insurgency.

The BJP: Implosion Be Gone!

¶9. (U) The BJP appears to be in fighting shape this parliament session. Newly elected BJP president, Nitin Gadkari, has spearheaded party leadership reorganization and made overtures to Dalits and Muslims during its recent national meeting in Indore (SepTel). The BJP's votes and support in the Rajya Sabha are critical on several key pieces of legislation, including the UPA's hallmark Women's Reservation Bill.

Women's Reservation Bill) Back on the Agenda?

¶10. (U) President Patil's speech stressed the GOI's desire to revisit the Women's Reservation Bill, which is currently

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being debated in committee. This legislation was first introduced in 1996, but regional parties scuttled it several times, fearing it would hurt smaller parties and benefit only elite, urban women. The proposed bill would set aside one-third of the elected seats in the Lok Sabha and in state legislatures for women. If the bill passes, India would be the only country in the world to reserve such a large percentage of seats in its legislature for women. The bill requires a constitutional amendment and a two-third majority in both houses to become law. This means the UPA government would need 364 votes in the Lok Sabha. Although the bill enjoys broad support from the major national parties, including the Congress Party, the BJP, and the Left, it has met strong opposition from the leaders of regional, caste-based parties in northern states such as Uttar Pradesh and Bihar. These regional parties want the bill to include "a quota within a quota" for Other Backward Caste (OBC) and Muslim women. The UPA government had announced it will hold consultations with all political parties to address their concerns. President Patil exhorted all the political parties to focus on this bill in her kick-off speech in Parliament.

Budget Session: Subsidies Still Rule

¶11. (U) Finance Minister Pranab Mukherjee will present the GOI fiscal year 2011 (twelve month period ending March 31, 2011) budget to Parliament on February 26. Minister Mukherjee's budget will attempt to return India to nine percent annual GDP growth (a target which the Finance Minister says is within India's reach "in the coming years.") This budget is likely to focus on GDP growth and be less concerned with undertaking direct steps to reduce the fiscal deficit. Although there are media reports of plans to reform fertilizer subsidies, few expect the GoI to take unpopular steps to significantly curb fuel or food subsidies; unwind fiscal stimulus programs; or raise taxes.

COMMENT: The BJP - Ready to Swing

¶12. (SBU) With the BJP taking steps to put its house in order, this parliamentary session is off with a bang. The

sharp opposition attacks on the government drew heavy media attention. The political impact, however, may be limited because the concerns over food prices may merely be an urban issue. The rural voter may in fact be thriving as food prices increase and result in higher incomes and more money circulating in rural areas. The Pune blast has given the BJP traction in its plan to hammer the GoI in Parliament on resuming Indo-Pak talks. The GoI should be able to deflect these attacks. However, if there is a Sharm El-Sheikh-like misstep or another terrorist attack, the GoI will feel real heat in Parliament. END COMMENT

ROEMER